



Los Angeles County
Board of Supervisors

Gloria Molina
First District

Yvonne B. Burke
Second District

Zev Yaroslavy
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

April 20, 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROPRIATION ADJUSTMENT TO THE DEPARTMENT
OF HEALTH SERVICES' SOUTHWEST NETWORK
FISCAL YEAR 2005-06 BUDGET
(Second District) (4 Votes)**

Bruce A. Chernof, MD
Acting Director and Chief Medical Officer

John R. Cochran III
Chief Deputy Director

William Loos, MD
Acting Senior Medical Officer

IT IS RECOMMENDED THAT YOUR BOARD:

Approve the attached appropriation adjustment to the Department of Health Services' Southwest Network Fiscal Year 2005-06 Final Adopted budget to reflect various adjustments in the Southwest Network's operating plan.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS:

In approving the recommended action, the Board is realigning the budgeted appropriations of the Department of Health Services' (DHS) Southwest Network budget to reflect actual and projected expenditures for Fiscal Year (FY) 2005-06.

FISCAL IMPACT/FINANCING:

DHS is requesting to realign the budgeted appropriations for Services and Supplies (S&S) in the amount of \$45,029,000, funded by a decrease in Salaries and Employee Benefits (S&EB) in the amount of \$24,749,000, Other Charges in the amount of \$1,474,000 and unbudgeted revenue in the amount of \$18,806,000.

This appropriation adjustment is funded from within the Southwest Network's existing resources and unbudgeted revenue from Cost Based Reimbursement Clinics (\$6,500,000) and Medi-Cal Redesign (\$12,306,000). There is no increase in net County cost.

FACTS AND LEGAL PROVISIONS/LEGAL REQUIREMENTS:

The Board adopted the FY 2005-06 Final Budget on September 20, 2005. The estimated expenditures in certain appropriation categories for the Southwest Network have varied since the FY 2005-06 Final Budget was adopted.

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

www.ladhs.org

*To improve health
through leadership,
service and education.*



www.ladhs.org

The total projected deficit in S&S is \$45,029,000 and is comprised of \$35,439,000 in unbudgeted nursing registry costs, \$8,820,000 to restore previously planned efficiencies that have been delayed in an effort to prepare for the upcoming survey by the Centers for Medicare & Medicaid Services (CMS), and \$770,000 in unbudgeted pharmacy costs.

These changes are necessary in order for the Southwest Network to establish a sustained effort to continue to restructure its clinical operations and prepare for the survey by CMS. First, nursing positions are designated as hard-to-recruit and delays in hiring these positions have required the Southwest Network to increase the use of S&S nursing registry contracts to meet the current patient workload. Second, since planned efficiencies that were part of DHS' June 2002 Strategic Plan have not yet occurred, the funding reduction associated with these efficiencies must be restored. Finally, based on year-to-date expenditure trends through January 2006, additional appropriation is needed to continue purchasing pharmaceuticals for the remainder of the fiscal year. Therefore, a surplus from S&EB will be realigned to S&S to assist in covering these operational changes.

In addition, a surplus in Other Charges will also be realigned to S&S to offset the funding need. The estimated actuals for medical malpractice and capital leases in Other Charges are lower than budget. Finally, the Southwest Network is recognizing additional unbudgeted revenues from Cost Based Reimbursement Clinics and Medi-Cal Redesign.

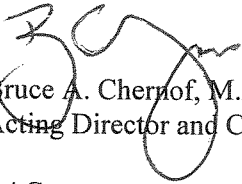
As a result of the above operational changes, an appropriation adjustment is required. DHS continues its commitment to properly align the budget in accordance with annual funding needs, and continues to determine where savings can be achieved on an ongoing basis.

CONTRACTING PROCESS:

Not applicable.

When approved, DHS requires three signed copies of the Board's action.

Respectfully submitted,



Bruce A. Chernof, M.D.
Acting Director and Chief Medical Officer

BAC:r
Budget Adjustment for MLK.rf.wpd

Attachment (1)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPT'S. No. _____

DEPARTMENT OF Health ServicesDATE 04/05/2006

AUDITOR CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

Budget Adjustment
Fiscal Year 2005-06
4-VOTE

Please see attached for details.

JUSTIFICATION:

This adjustment is needed to increase Southwest Network's budgeted S&S appropriations authority to fund Nursing Registries Usage, 16% Efficiencies reversal due to shortfall, and to continue to purchase pharmaceuticals for the remainder of FY 2005-06. A portion of the funding will be transferred from S&EB appropriation. The S&EB surplus is due to difficulty in recruiting positions that are designated as hard-to-recruit classifications. Additional funding will be transferred from Other Charges appropriations. The Other Charges surplus is due to under-spending of Medical Malpractice and Capital Leases. The remainder of the funding will be covered by unbudgeted current year revenue surpluses.

EM:ty
03/27/06

Efrain Muñoz
Efrain Muñoz, Chief
DHS-Controller's Division

CHIEF ADMINISTRATIVE OFFICER'S REPORT

REFERRED TO THE CHIEF
ADMINISTRATIVE OFFICER
FOR:

☐ ACTION
☒ RECOMMENDATION

APPROVED AS REQUESTED ☒ AS REVISED ☐April 5, 2006APPROVED (AS REVISED):
BOARD OF SUPERVISORS*DAVID E. JANSSEN*
CHIEF ADMINISTRATIVE OFFICER

AUDITOR-CONTROLLER No.

312

BY:

APRIL 5, 2006

BY:

DEPUTY COUNTY CLERK

SEND 6 COPIES TO THE AUDITOR-CONTROLLER

DEPARTMENT OF HEALTH SERVICES
BUDGET ADJUSTMENT
FISCAL YEAR 2005-06

4-VOTE

SOURCES:

Southwest Cluster (MLK/D Medical Center)
Salaries & EB
MN5-HK-60030-1000 24,749,000

Southwest Cluster (MLK/D Medical Center)
Other Charges
MN5-HK-60030-5500 1,474,000

Southwest Cluster (MLK/D Medical Center)
CBRC Revenue
MN5-HK-60030-9307 6,500,000

Southwest Cluster (MLK/D Medical Center)
SB 855
MN5-HK-60030-9417 12,306,000

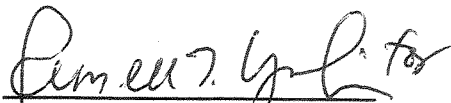
Total \$ 45,029,000

USES:

Southwest Cluster (MLK/D Medical Center)
Services and Supplies
MN5-HK-60030-2000 \$ 45,029,000

Total \$ 45,029,000

NOTED AND APPROVED


Efrain Munoz, Chief
DHS-Controller's Division